United Nations S/2000/645

Security Council

Distr.: General
30 June 2000
English
Original: English/French

Letter dated 30 June 2000 from the Secretary-General addressed to the President of the Security Council

It may be recalled that in my latest report to the Security Council pursuant to paragraph 5 of resolution 1281 (1999), I had drawn the Council's attention to additional measures to achieve greater utilization of available resources, in particular with regard to funds in excess of requirements for payments of all contracts approved under earlier phases to fund humanitarian supplies to Iraq, under subsequent phases (S/2000/520, para. 108).

Although phases I and II of the humanitarian programme are closed, $5.1 million and $2 million, respectively, remain available for the purchase of humanitarian supplies. These funds could address notably phases IV and V, for which there is still a revenue shortfall for humanitarian supplies of $0.5 billion.

The reasons for the availability of the above funds are as follows: Firstly, food grain contracts have a plus-or-minus 5 per cent tolerance built into the quantity and dollar value of the goods. Secondly, allowance is made for foreign currency-denominated contracts since the market rate will not be known until the date of payment. And, thirdly, compensations due to penalties imposed with respect to shipping delays or other non-fulfilments are credited to the United Nations Iraq account. With the increased availability of revenues and the much larger number of contracts under subsequent phases, it is anticipated that substantial funds would become available after the closure of these phases, for the above reasons.

Accordingly, I would appreciate your informing me whether in the light of the recommendation contained in my latest report the Council would consider authorizing the Security Council Committee established by resolution 661 (1990) to review and approve requests by the Office of the Iraq Programme for the use of funds in excess of requirements in earlier phases to fund humanitarian supplies under subsequent phases.

(*Signed*) Kofi A. **Annan**

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